



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Mercer County

Stanton, North Dakota

Audit Report for the Years Ended December 31, 2022 and 2021

*Client Code: PS29000*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

# MERCER COUNTY

## Table of Contents

For the Years Ended December 31, 2022 and 2021

---

County Officials .....	1
Independent Auditor's Report .....	2
Basic Financial Statements	
2022 Statements	
Statement of Net Position .....	5
Statement of Activities .....	6
Balance Sheet - Governmental Funds.....	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	10
Statement of Net Position - Proprietary Fund .....	11
Statement of Revenues Expenses and Changes in Fund Net Position Proprietary Fund.....	12
Statement of Cash Flow - Proprietary Fund .....	13
Statement of Fiduciary Net Position – Fiduciary Funds.....	14
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	15
2021 Statements	
Statement of Net Position .....	16
Statement of Activities .....	17
Balance Sheet - Governmental Funds.....	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	21
Statement of Net Position - Proprietary Fund .....	22
Statement of Revenues Expenses and Changes in Fund Net Position Proprietary Fund.....	23
Statement of Cash Flow - Proprietary Fund .....	24
Statement of Fiduciary Net Position – Fiduciary Funds.....	25
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	26
Notes to the Financial Statements.....	27
Required Supplementary Information	
Budgetary Comparison Schedules .....	47
Schedule of Employer's Share of Net Pension Liability and Employer Contributions .....	51
Schedule of Employer's Share of Net OPEB Liability and Employer Contributions .....	52
Notes to the Required Supplementary Information .....	53

**MERCER COUNTY**

Table of Contents - Continued

---

Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards ..... 55

Summary of Auditor’s Results..... 57

Schedule of Audit Findings ..... 58

Governance Communication ..... 64

## MERCER COUNTY

County Officials  
December 31, 2022 and 2021

---

### County Officials

December 31, 2022

Travis Frey	Chairman
Gene Wolf	Vice-President
Liza Taylor	Commissioner
Rick Bauman	Commissioner
Jamee Folk	Commissioner
Samantha Melberg	Auditor
Dawn Grannis	Treasurer
Dean Danzeisen	Sheriff
Brenda Cook	Recorder
Todd Schwarz	State's Attorney
Wanda Knutson	Clerk of Court
Carmen Reed	Emergency Manager

December 31, 2021

Gene Wolf	Chairman
Travis Frey	Vice-President
Liza Taylor	Commissioner
Wayne Entze	Commissioner
Marvin Schwehr	Commissioner
Shana Brost	Auditor
Dawn Grannis	Treasurer
Terry Ternes	Sheriff
Brenda Cook	Recorder
Todd Schwarz	State's Attorney
Wanda Knutson	Clerk of Court
Carmen Reed	Emergency Manager

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

[ndsao@nd.gov](mailto:ndsao@nd.gov)

---

## INDEPENDENT AUDITOR'S REPORT

---

Board of County Commissioners  
Mercer County  
Stanton, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mercer County, North Dakota, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Mercer County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mercer County, North Dakota, as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mercer County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mercer County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mercer County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mercer County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information*, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**MERCER COUNTY**Independent Auditor's Report - Continued

---

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024 on our consideration of Mercer County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mercer County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mercer County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
June 25, 2024

**MERCER COUNTY**

## Statement of Net Position

December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Water Resource District
<b>ASSETS</b>				
Cash and Investments	\$ 8,473,363	\$ 193,161	\$ 8,666,524	\$ 963,833
Restricted Investments				
Landfill Closure and Postclosure Care Costs	-	317,601	317,601	-
Intergovernmental Receivable	405,993	-	405,993	2,554
Accounts Receivable	36,436	21,885	58,321	-
Inventory	380,485	-	380,485	-
Taxes Receivable	74,691	-	74,691	2,573
Capital Assets				
Nondepreciable	344,009	2,906	346,915	125,000
Depreciable, Net	14,700,742	70,667	14,771,409	-
Total Assets	\$ 24,415,719	\$ 606,220	\$ 25,021,939	\$ 1,093,960
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derived from Pension and OPEB	\$ 6,425,668	\$ 223,785	\$ 6,649,453	\$ -
Total Assets and Deferred Outflows of Resources	\$ 30,841,387	\$ 830,005	\$ 31,671,392	\$ 1,093,960
<b>LIABILITIES</b>				
Accounts Payable	\$ 190,259	\$ 2,421	\$ 192,680	\$ -
Salaries Payable	113,831	3,084	116,915	-
Grant Received in Advance	1,102,327	-	1,102,327	-
Interest Payable	13,880	-	13,880	-
Long-Term Liabilities				
Due Within One Year				
Long Term Debt	514,005	-	514,005	-
Compensated Absences Payable	36,947	1,637	38,584	-
Due After One Year				
Long Term Debt	7,240,349	-	7,240,349	-
Compensated Absences Payable	332,520	14,736	347,256	-
Landfill Closure and Postclosure Care Costs	-	277,017	277,017	-
Net Pension and OPEB Liability	9,725,801	338,718	10,064,519	-
Total Liabilities	\$ 19,269,919	\$ 637,613	\$ 19,907,532	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Received in Advance	\$ 1,109,683	\$ -	\$ 1,109,683	\$ -
Derived from Pension and OPEB	3,795,983	132,202	3,928,185	-
Total Liabilities and Deferred Inflows of Resources	\$ 24,175,585	\$ 769,815	\$ 24,945,400	\$ -
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 7,276,517	\$ 73,573	\$ 7,350,090	\$ 125,000
Restricted				
Debt Service	145,107	-	145,107	-
Highways	735,516	-	735,516	-
Conservation of Natural Resources	136,618	-	136,618	968,960
Emergencies	250,593	-	250,593	-
Landfill Closure Postclosure Care Costs	-	226,000	226,000	-
Unrestricted	(1,878,549)	(239,383)	(2,117,932)	-
Total Net Position	\$ 6,665,802	\$ 60,190	\$ 6,725,992	\$ 1,093,960

The notes to the financial statements are an integral part of this statement.



# MERCER COUNTY

## Statement of Activities

For the Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Water Resource District
Primary Government:								
<b>Governmental Activities</b>								
General Government	\$ 3,695,764	\$ 323,501	\$ 3,267,912	\$ 293,009	\$ 188,658		\$ 188,658	
Public Safety	3,729,793	258,099	147,888	-	(3,323,806)		(3,323,806)	
Highways	3,996,650	99,894	2,464,662	-	(1,432,094)		(1,432,094)	
Health and Welfare	82,702	-	-	-	(82,702)		(82,702)	
Conser. of Natural Resources	473,991	57,496	14,374	-	(402,121)		(402,121)	
Emergency	6,901	-	-	-	(6,901)		(6,901)	
Flood Repair	-	-	331	-	331		331	
Interest Expense on Long-Term Debt	235,744	-	-	-	(235,744)		(235,744)	
Total Governmental Activities	<u>\$12,221,545</u>	<u>\$ 738,990</u>	<u>\$ 5,895,167</u>	<u>\$ 293,009</u>	<u>\$ (5,294,379)</u>		<u>\$ (5,294,379)</u>	
<b>Business-Type Activities</b>								
Landfill	\$ 346,205	\$ 311,580	\$ -	\$ -	\$ -	\$ (34,625)	\$ (34,625)	
Landfill Loan	23,070	-	-	-	-	(23,070)	(23,070)	
Total Business-Type Activities	<u>\$ 369,275</u>	<u>\$ 311,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,695)</u>	<u>\$ (57,695)</u>	
Total Primary Government	<u>\$12,590,820</u>	<u>\$ 1,050,570</u>	<u>\$ 5,895,167</u>	<u>\$ 293,009</u>	<u>\$ (5,294,379)</u>	<u>\$ (57,695)</u>	<u>\$ (5,352,074)</u>	
<b>Component Unit</b>								
Water Resource District	<u>\$ 102,575</u>	<u>\$ -</u>	<u>\$ 29,358</u>	<u>\$ -</u>				<u>\$ (73,217)</u>
<b>General Revenues</b>								
Property Taxes					\$ 4,307,707	\$ -	\$ 4,307,707	\$ 145,393
Grants and Contributions Not Restricted to Specific Programs					1,080,989	-	1,080,989	-
Loss on Sale of Assets					(2,760)	-	(2,760)	-
Interest Revenue					96,189	57	96,246	7,086
Miscellaneous Revenue					143,000	12,269	155,269	-
Total General Revenues					<u>\$ 5,625,125</u>	<u>\$ 12,326</u>	<u>\$ 5,637,451</u>	<u>\$ 152,479</u>
Change in Net Position					<u>\$ 330,746</u>	<u>\$ (45,369)</u>	<u>\$ 285,377</u>	<u>\$ 79,262</u>
Net Position - January 1					<u>\$ 6,335,056</u>	<u>\$ 105,559</u>	<u>\$ 6,440,615</u>	<u>\$1,014,698</u>
Net Position - December 31					<u>\$ 6,665,802</u>	<u>\$ 60,190</u>	<u>\$ 6,725,992</u>	<u>\$1,093,960</u>

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**

Balance Sheet – Governmental Funds

December 31, 2022

	General	Special Revenue	Non Major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 3,135,682	\$ 4,075,782	\$ 454,869	\$ 7,666,333
Intergovernmental Receivable	264,767	141,226	-	405,993
Accounts Receivable	15,098	21,338	-	36,436
Taxes Receivable	46,281	23,815	4,595	74,691
Inventory	-	380,485	-	380,485
Total Assets	<u>\$ 3,461,828</u>	<u>\$ 4,642,646</u>	<u>\$ 459,464</u>	<u>\$ 8,563,938</u>
<b>LIABILITIES, DEFERRED INFLOWS OF FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 53,425	\$ 136,834	\$ -	\$ 190,259
Salaries Payable	21,448	92,383	-	113,831
Grants Received in Advance	-	1,102,327	-	1,102,327
Total Liabilities	<u>\$ 74,873</u>	<u>\$ 1,331,544</u>	<u>\$ -</u>	<u>\$ 1,406,417</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 46,281	\$ 23,815	\$ 4,595	\$ 74,691
Taxes Received in Advance	736,253	309,666	63,764	1,109,683
Total Deferred Inflows of Resources	<u>\$ 782,534</u>	<u>\$ 333,481</u>	<u>\$ 68,359</u>	<u>\$ 1,184,374</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 857,407</u>	<u>\$ 1,665,025</u>	<u>\$ 68,359</u>	<u>\$ 2,590,791</u>
<b>FUND BALANCE</b>				
Nonspendable				
Inventory	\$ -	\$ 380,485	\$ -	\$ 380,485
Restricted				
Debt Service	-	-	140,512	140,512
Public Safety	-	401,049	-	401,049
Highways	-	1,831,375	-	1,831,375
Capital Projects	-	-	250,593	250,593
Health and Welfare	-	12,398	-	12,398
Conservation of Natural Resources	-	339,331	-	339,331
General Government	-	12,983	-	12,983
Unassigned	2,604,421	-	-	2,604,421
Total Fund Balances	<u>\$ 2,604,421</u>	<u>\$ 2,977,621</u>	<u>\$ 391,105</u>	<u>\$ 5,973,147</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,461,828</u>	<u>\$ 4,642,646</u>	<u>\$ 459,464</u>	<u>\$ 8,563,938</u>

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**

## Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2022

---

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 5,973,147</b>
---------------------------------------------------	---------------------

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	15,044,751
----------------------------------------------------------------------------------------------------------------------------	------------

Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.

Property Taxes	74,691
----------------	--------

Internal service funds are used by management to charge the costs of certain activities such as self insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.

807,030
---------

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows derived from pensions and OPEB	\$ 6,425,668	
Deferred inflows derived from pensions and OPEB	<u>(3,795,983)</u>	2,629,685

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Long Term Debt	\$ (7,754,354)	
Interest Payable	(13,880)	
Compensated absences	(369,467)	
Net pension and OPEB liability	<u>(9,725,801)</u>	<u>(17,863,502)</u>

<b>Total Net Position of Governmental Activities</b>	<b>\$ <u>6,665,802</u></b>
------------------------------------------------------	----------------------------

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
For the Year Ended December 31, 2022

	General	Special Revenue	Non Major Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,502,973	\$ 1,550,992	\$ 245,841	\$ 4,299,806
Intergovernmental	3,909,647	3,356,133	3,385	7,269,165
Charges for Services	347,337	273,823	-	621,160
Licenses, Permits and Fees	17,937	99,894	-	117,831
Interest Income	82,926	13,263	-	96,189
Miscellaneous	91,432	51,567	-	142,999
Total Revenues	\$ 6,952,252	\$ 5,345,672	\$ 249,226	\$ 12,547,150
<b>EXPENDITURES</b>				
Current				
General Government	\$ 3,140,716	\$ 490,701	\$ -	\$ 3,631,417
Public Safety	2,469,635	707,774	-	3,177,409
Highways	-	3,351,017	-	3,351,017
Health and Welfare	53,562	22,905	-	76,467
Conser. of Natural Resources	-	438,977	-	438,977
Emergency	-	6,902	-	6,902
Debt Service				
Principal	314,401	231,604	150,000	696,005
Interest & Fees	151,461	9,572	77,975	239,008
Total Expenditures	\$ 6,129,775	\$ 5,259,452	\$ 227,975	\$ 11,617,202
Excess (Deficiency) of Revenues Over Expenditures	\$ 822,477	\$ 86,220	\$ 21,251	\$ 929,948
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 44,950	\$ 2,560,827	\$ 65,896	\$ 2,671,673
Transfers Out	(160,346)	(2,511,327)	-	(2,671,673)
Total Other Financing Sources and Uses	\$ (115,396)	\$ 49,500	\$ 65,896	\$ -
Net Change in Fund Balances	\$ 707,081	\$ 135,720	\$ 87,147	\$ 929,948
Fund Balance - January 1	\$ 1,897,340	\$ 2,841,901	\$ 303,958	\$ 5,043,199
Fund Balance - December 31	\$ 2,604,421	\$ 2,977,621	\$ 391,105	\$ 5,973,147

The notes to the financial statements are an integral part of this statement.

## MERCER COUNTY

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities For the Year Ended December 31, 2022

---

<b>Net Change in <i>Fund Balances</i> - Total Governmental Funds</b>	<b>\$ 929,948</b>
----------------------------------------------------------------------	-------------------

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	\$ 56,400	
Current Year Capital Contribution	293,009	
Current Year Depreciation	<u>(710,807)</u>	(361,398)

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Loss on Sale of Capital Assets	(2,760)
--------------------------------	---------

The proceeds of debt issuances are reported as other financing sources in governmental funds and contribute to change in fund balance. In the statement of net position. Issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.

Repayment of Debt	696,005
-------------------	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences	\$ 13,340	
Net Change in Interest Payable	777	
Net Change in Retainage Payable	<u>2,488</u>	16,605

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable	7,900
--------------------------------	-------

The Net Pension & OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension & OPEB Liability	\$ (6,241,484)	
Net Change in Deferred Outflows of Resources	2,427,606	
Net Change in Deferred Inflows of Resources	<u>2,857,402</u>	<u>(956,476)</u>

An internal service fund is used by the county's management to charge the cost of health insurance to individual functions. The net operating income of certain activities of internal service funds is reported with governmental activities.

<u>922</u>
------------

#### **Change in *Net Position* of Governmental Activities**

<u><u>\$ 330,746</u></u>
--------------------------

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**

## Statement of Net Position – Proprietary Fund

For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
<b>ASSETS</b>					
Current Assets					
Cash and Investments	\$ 193,161	\$ -	\$ -	\$ 193,161	\$ 807,030
Restricted Investments					
Landfill Closure and Postclosure Care Costs	-	226,000	91,601	317,601	-
Accounts Receivable	21,885	-	-	21,885	-
Total Current Assets	\$ 215,046	\$ 226,000	\$ 91,601	\$ 532,647	\$ 807,030
Noncurrent Assets:					
Capital Assets					
Nondepreciable	\$ 2,906	\$ -	\$ -	\$ 2,906	\$ -
Depreciable, Net	70,667	-	-	70,667	-
Total Noncurrent Assets	\$ 73,573	\$ -	\$ -	\$ 73,573	\$ -
Total Assets	\$ 288,619	\$ 226,000	\$ 91,601	\$ 606,220	\$ 807,030
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pensions & OPEB	\$ 223,785	\$ -	\$ -	\$ 223,785	\$ -
Total Assets & Deferred Outflows of Resources	\$ 512,404	\$ 226,000	\$ 91,601	\$ 830,005	\$ 807,030
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	\$ 2,421	\$ -	\$ -	\$ 2,421	\$ -
Salaries Payable	3,084	-	-	3,084	-
Compensated Absences	1,637	-	-	1,637	-
Total Current Liabilities	\$ 7,142	\$ -	\$ -	\$ 7,142	\$ -
Noncurrent Liabilities					
Landfill Closure and Postclosure Care Costs	\$ -	\$ -	\$ 277,017	\$ 277,017	\$ -
Compensated Absences	14,736	-	-	14,736	-
Net Pension & OPEB Liability	338,718	-	-	338,718	-
Total Noncurrent Liabilities	\$ 353,454	\$ -	\$ 277,017	\$ 630,471	\$ -
Total Liabilities	\$ 360,596	\$ -	\$ 277,017	\$ 637,613	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pensions & OPEB	\$ 132,202	\$ -	\$ -	\$ 132,202	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 492,798	\$ -	\$ 277,017	\$ 769,815	\$ -
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 73,573	\$ -	\$ -	\$ 73,573	\$ -
Restricted					
Landfill Closure Postclosure Care Costs	\$ -	\$ 226,000	\$ -	\$ 226,000	\$ -
Unrestricted	(53,967)	-	(185,416)	(239,383)	807,030
Total Net Position	\$ 19,606	\$ 226,000	\$ (185,416)	\$ 60,190	\$ 807,030

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund  
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 311,580	\$ -	\$ -	\$ 311,580	\$ -
Contributions to Self Insurance	-	-	-	-	82,558
Miscellaneous	12,269	-	-	12,269	-
Total Operating Revenues	<u>\$ 323,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,849</u>	<u>\$ 82,558</u>
<b>OPERATING EXPENSES</b>					
Operating Expenses	\$ 328,983	\$ -	\$ -	\$ 328,983	\$ -
Closure and Postclosure Costs	-	-	23,070	23,070	-
Health Insurance	-	-	-	-	-
Dental/Vision Insurance	-	-	-	-	81,636
Depreciation	17,222	-	-	17,222	-
Total Operating Expenses	<u>\$ 346,205</u>	<u>\$ -</u>	<u>\$ 23,070</u>	<u>\$ 369,275</u>	<u>\$ 81,636</u>
Operating Income (Loss)	<u>\$ (22,356)</u>	<u>\$ -</u>	<u>\$ (23,070)</u>	<u>\$ (45,426)</u>	<u>\$ 922</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Earnings	\$ -	\$ -	\$ 57	\$ 57	\$ -
Total Nonoperating Revenues (Expenses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 57</u>	<u>\$ -</u>
Income (Loss) Before Contributions and Transfers	<u>\$ (22,356)</u>	<u>\$ -</u>	<u>\$ (23,013)</u>	<u>\$ (45,369)</u>	<u>\$ 922</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	\$ -	\$ 30,000	\$ 4,368	\$ 34,368	\$ -
Transfers Out	<u>(34,368)</u>	<u>-</u>	<u>-</u>	<u>(34,368)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>\$ (34,368)</u>	<u>\$ 30,000</u>	<u>\$ 4,368</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Position	<u>\$ (56,724)</u>	<u>\$ 30,000</u>	<u>\$ (18,645)</u>	<u>\$ (45,369)</u>	<u>\$ 922</u>
Net Position - January 1	<u>\$ 76,330</u>	<u>\$ 196,000</u>	<u>\$ (166,771)</u>	<u>\$ 105,559</u>	<u>\$ 806,108</u>
Net Position - December 31	<u><u>\$ 19,606</u></u>	<u><u>\$ 226,000</u></u>	<u><u>\$ (185,416)</u></u>	<u><u>\$ 60,190</u></u>	<u><u>\$ 807,030</u></u>

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**Statement of Cash Flows – Proprietary Fund  
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 324,768	\$ -	\$ -	\$ 324,768	\$ -
Contributions to Self Insurance	-	-	-	-	82,558
Payments to Suppliers & Employees	(302,105)	-	-	(302,105)	(81,636)
Other Receipts	12,269	-	-	12,269	-
Net Cash Provided by Operating Activities	\$ 34,932	\$ -	\$ -	\$ 34,932	\$ 922
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	\$ -	\$ 30,000	\$ 4,368	\$ 34,368	\$ -
Transfers Out	(34,368)	-	-	(34,368)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (34,368)	\$ 30,000	\$ 4,368	\$ -	\$ -
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Income	\$ -	\$ -	\$ 58	\$ 58	\$ -
Net Increase (Decrease) in Cash & Cash Equivalents	\$ 564	\$ 30,000	\$ 4,426	\$ 34,990	\$ 922
Cash and Cash Equivalents, January 1	\$ 192,597	\$ 196,000	\$ 87,175	\$ 475,772	\$ 806,108
Cash and Cash Equivalents, December 31	\$ 193,161	\$ 226,000	\$ 91,601	\$ 510,762	\$ 807,030
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	\$ (22,356)	\$ -	\$ (23,070)	\$ (45,426)	\$ 922
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	\$ 17,222	\$ -	\$ -	\$ 17,222	\$ -
Provision for closure and postclosure care costs	-	-	23,070	23,070	-
Change in Assets and Liabilities					
Accounts Receivable	13,189	-	-	13,189	-
Accounts Payable	(2,834)	-	-	(2,834)	-
Salaries Payable	90	-	-	90	-
Compensated Absences	258	-	-	258	-
Net Pension and OPEB	29,363	-	-	29,363	-
Net Cash Provided by Operating Activities	\$ 34,932	\$ -	\$ -	\$ 34,932	\$ 922

The notes to the financial statements are an integral part of this statement.



**MERCER COUNTY**

Statement of Fiduciary Net Position – Fiduciary Funds  
December 31, 2022

---

	Custodial Funds
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 2,573,006</u>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	
Liabilities	
Funds Due to Other Governmental Units	<u>\$ 134,080</u>
Total Liabilities	<u>\$ 134,080</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 2,351,452</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,485,532</u>
<b>NET POSITION</b>	
Restricted	
Funds Held for Other Purposes	<u>\$ 87,474</u>
Total Net Position	<u>\$ 87,474</u>

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
December 31, 2022

---

	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Tax Collections for Other Governments	\$ 22,077,851
Grant Collections for Other Governments	537,101
Miscellaneous Collections	<u>31,451</u>
 Total Additions	 <u><u>\$ 22,646,403</u></u>
 <b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	\$ 22,077,851
Grant Disbursements to Other Governments	537,101
Miscellaneous Disbursements	<u>36,861</u>
 Total Deductions	 <u><u>\$ 22,651,813</u></u>
 Net Increase (Decrease) in Fiduciary Net Position	 <u><u>\$ (5,410)</u></u>
 Net Position - Beginning	 <u><u>\$ 92,884</u></u>
 Net Position - Ending	 <u><u>\$ 87,474</u></u>

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**

## Statement of Net Position

December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Water Resource District
<b>ASSETS</b>				
Cash and Investments	\$ 7,228,000	\$ 192,597	\$ 7,420,597	\$ 1,009,938
Restricted Investments				
Landfill Closure and Postclosure Care Costs	-	283,175	283,175	-
Intergovernmental Receivable	409,312	-	409,312	2,487
Accounts Receivable	22,881	35,074	57,955	-
Inventory	452,764	-	452,764	-
Taxes Receivable	66,790	-	66,790	2,273
Capital Assets				
Nondepreciable	51,000	2,906	53,906	-
Depreciable, Net	15,357,909	87,889	15,445,798	-
Total Assets	\$ 23,588,656	\$ 601,641	\$ 24,190,297	\$ 1,014,698
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derived from Pension and OPEB	\$ 3,998,062	\$ 141,810	\$ 4,139,872	\$ -
Total Assets and Deferred Outflows of Resources	\$ 27,586,718	\$ 743,451	\$ 28,330,169	\$ 1,014,698
<b>LIABILITIES</b>				
Accounts Payable	\$ 200,665	\$ 5,256	\$ 205,921	\$ -
Salaries Payable	106,318	2,994	109,312	-
Grant Received in Advance	795,115	-	795,115	-
Interest Payable	14,656	-	14,656	-
Long-Term Liabilities				
Due Within One Year				
Long Term Debt	577,962	-	577,962	-
Compensated Absences Payable	38,281	1,612	39,893	-
Due After One Year				
Long Term Debt	7,874,885	-	7,874,885	-
Compensated Absences Payable	344,526	14,503	359,029	-
Landfill Closure and Postclosure Care Costs	-	253,946	253,946	-
Net Pension and OPEB Liability	3,484,317	123,588	3,607,905	-
Total Liabilities	\$ 13,436,725	\$ 401,899	\$ 13,838,624	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Received in Advance	\$ 1,161,552	\$ -	\$ 1,161,552	\$ -
Derived from Pension and OPEB	6,653,385	235,993	6,889,378	-
Total Liabilities and Deferred Inflows of Resources	\$ 21,251,662	\$ 637,892	\$ 21,889,554	\$ -
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 6,941,406	\$ 90,795	\$ 7,032,201	\$ -
Restricted				
Debt Service	123,780	-	123,780	-
Highways	366,149	-	366,149	-
Conservation of Natural Resources	192,769	-	192,769	1,014,698
Emergencies	184,698	-	184,698	-
Landfill Closure Postclosure Care Costs	-	196,000	196,000	-
Unrestricted	(1,473,746)	(181,236)	(1,654,982)	-
Total Net Position	\$ 6,335,056	\$ 105,559	\$ 6,440,615	\$ 1,014,698

The notes to the financial statements are an integral part of this statement.

# MERCER COUNTY

## Statement of Activities

For the Year Ended December 31, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total	Water Resource District
Primary Government:							
<b>Governmental Activities</b>							
General Government	\$ 3,127,492	\$ 322,764	\$ 2,739,099	\$ (65,629)		\$ (65,629)	
Public Safety	2,692,235	248,507	88,073	(2,355,655)		(2,355,655)	
Highways	3,245,136	38,339	1,329,618	(1,877,179)		(1,877,179)	
Health and Welfare	62,688	-	-	(62,688)		(62,688)	
Conser. of Natural Resources	435,945	28,740	48,792	(358,413)		(358,413)	
Emergency	2,795	-	-	(2,795)		(2,795)	
Flood Repair	-	-	-	-		-	
Interest Expense on Long-Term Debt	253,489	-	-	(253,489)		(253,489)	
Total Governmental Activities	<u>\$ 9,819,780</u>	<u>\$ 638,350</u>	<u>\$ 4,205,582</u>	<u>\$ (4,975,848)</u>		<u>\$ (4,975,848)</u>	
<b>Business-Type Activities</b>							
Landfill	\$ 320,916	\$ 332,163	\$ -	\$ -	\$ 11,247	\$ 11,247	
Landfill Loan	106,133	-	-	-	(106,133)	(106,133)	
Landfill Closure	4,368	-	-	-	(4,368)	(4,368)	
Total Business-Type Activities	<u>\$ 431,417</u>	<u>\$ 332,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,254)</u>	<u>\$ (99,254)</u>	
Total Primary Government	<u>\$10,251,197</u>	<u>\$ 970,513</u>	<u>\$ 4,205,582</u>	<u>\$ (4,975,848)</u>	<u>\$ (99,254)</u>	<u>\$ (5,075,102)</u>	
<b>Component Unit</b>							
Water Resource District	<u>\$ 123,873</u>	<u>\$ -</u>	<u>\$ 115,226</u>				<u>\$ (8,647)</u>
<b>General Revenues</b>							
Property Taxes				\$ 3,949,077	\$ -	\$ 3,949,077	\$ 133,008
Grants and Contributions Not Restricted to Specific Programs				820,624	-	820,624	-
Gain on Sale of Assets				9,700	-	9,700	-
Interest Revenue				59,186	-	59,186	9,589
Defeasement of Debt				153,910	-	153,910	-
Miscellaneous Revenue				260,433	24,149	284,582	824
Total General Revenues				<u>\$ 5,252,930</u>	<u>\$ 24,149</u>	<u>\$ 5,277,079</u>	<u>\$ 143,421</u>
Change in Net Position				<u>\$ 277,082</u>	<u>\$ (75,105)</u>	<u>\$ 201,977</u>	<u>\$ 134,774</u>
Net Position - January 1				<u>\$ 5,757,042</u>	<u>\$ 408,180</u>	<u>\$ 6,165,222</u>	<u>\$ 879,924</u>
Prior Period Adjustment				<u>\$ 300,932</u>	<u>\$ (227,516)</u>	<u>\$ 73,416</u>	<u>\$ -</u>
Net Position - January 1 as restated				<u>\$ 6,057,974</u>	<u>\$ 180,664</u>	<u>\$ 6,238,638</u>	<u>\$ 879,924</u>
Net Position - December 31				<u>\$ 6,335,056</u>	<u>\$ 105,559</u>	<u>\$ 6,440,615</u>	<u>\$1,014,698</u>

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**

Balance Sheet – Governmental Funds

December 31, 2021

	General	Special Revenue	Non Major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 2,413,169	\$ 3,637,596	\$ 371,127	\$ 6,421,892
Intergovernmental Receivable	269,552	139,760	-	409,312
Accounts Receivable	11,997	10,884	-	22,881
Taxes Receivable	42,593	19,677	4,520	66,790
Inventory	-	452,764	-	452,764
Total Assets	<u>\$ 2,737,311</u>	<u>\$ 4,260,681</u>	<u>\$ 375,647</u>	<u>\$ 7,373,639</u>
<b>LIABILITIES, DEFERRED INFLOWS OF FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 102,311	\$ 98,354	\$ -	\$ 200,665
Salaries Payable	14,559	91,759	-	106,318
Grants Received in Advance	-	795,115	-	795,115
Total Liabilities	<u>\$ 116,870</u>	<u>\$ 985,228</u>	<u>\$ -</u>	<u>\$ 1,102,098</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 42,593	\$ 19,677	\$ 4,520	\$ 66,790
Taxes Received in Advance	680,508	413,875	67,169	1,161,552
Total Deferred Inflows of Resources	<u>\$ 723,101</u>	<u>\$ 433,552</u>	<u>\$ 71,689</u>	<u>\$ 1,228,342</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 839,971</u>	<u>\$ 1,418,780</u>	<u>\$ 71,689</u>	<u>\$ 2,330,440</u>
<b>FUND BALANCE</b>				
Nonspendable				
Inventory	\$ -	\$ 452,764	\$ -	\$ 452,764
Restricted				
Debt Service	-	-	119,260	119,260
Public Safety	-	788,944	-	788,944
Highways	-	1,205,765	-	1,205,765
Capital Projects	-	-	184,698	184,698
Health and Welfare	-	24,283	-	24,283
Conservation of Natural Resources	-	370,145	-	370,145
Unassigned	1,897,340	-	-	1,897,340
Total Fund Balances	<u>\$ 1,897,340</u>	<u>\$ 2,841,901</u>	<u>\$ 303,958</u>	<u>\$ 5,043,199</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,737,311</u>	<u>\$ 4,260,681</u>	<u>\$ 375,647</u>	<u>\$ 7,373,639</u>

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**

## Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2021

---

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 5,043,199</b>
---------------------------------------------------	---------------------

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	15,408,909
----------------------------------------------------------------------------------------------------------------------------	------------

Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.

Property Taxes	66,790
----------------	--------

Internal service funds are used by management to charge the costs of certain activities such as self insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.

	806,108
--	---------

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows derived from pensions and OPEB	\$ 3,998,062	
Deferred inflows derived from pensions and OPEB	<u>(6,653,385)</u>	(2,655,323)

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Long Term Debt	\$ (8,452,847)	
Interest Payable	(14,656)	
Compensated absences	(382,807)	
Net pension and OPEB liability	<u>(3,484,317)</u>	<u>(12,334,627)</u>

<b>Total Net Position of Governmental Activities</b>	<b>\$ <u>6,335,056</u></b>
------------------------------------------------------	----------------------------

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
For the Year Ended December 31, 2021

	General	Special Revenue	Non Major Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,481,439	\$ 1,233,344	\$ 249,035	\$ 3,963,818
Intergovernmental	3,323,202	1,699,736	3,267	5,026,205
Charges for Services	340,855	239,552	-	580,407
Licenses, Permits and Fees	19,605	38,339	-	57,944
Interest Income	58,636	550	-	59,186
Miscellaneous	203,122	57,311	-	260,433
Total Revenues	\$ 6,426,859	\$ 3,268,832	\$ 252,302	\$ 9,947,993
<b>EXPENDITURES</b>				
Current				
General Government	\$ 3,041,785	\$ -	\$ -	\$ 3,041,785
Public Safety	1,958,692	628,508	-	2,587,200
Highways	-	2,937,464	-	2,937,464
Health and Welfare	37,378	23,686	-	61,064
Conser. of Natural Resources	-	437,737	-	437,737
Emergency	-	2,829	-	2,829
Debt Service				
Principal	305,120	91,878	150,000	546,998
Interest & Fees	160,742	20,165	80,975	261,882
Total Expenditures	\$ 5,503,717	\$ 4,142,267	\$ 230,975	\$ 9,876,959
Excess (Deficiency) of Revenues Over Expenditures	\$ 923,142	\$ (873,435)	\$ 21,327	\$ 71,034
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	\$ -	\$ 51,997	\$ -	\$ 51,997
Transfers In	773,610	3,158,990	-	3,932,600
Transfers Out	(512,165)	(2,765,440)	-	(3,277,605)
Total Other Financing Sources and Uses	\$ 261,445	\$ 445,547	\$ -	\$ 706,992
Net Change in Fund Balances	\$ 1,184,587	\$ (427,888)	\$ 21,327	\$ 778,026
Fund Balance - January 1	\$ 712,753	\$ 3,149,605	\$ 282,631	\$ 4,144,989
Prior Period Adjustment	\$ -	\$ 120,184	\$ -	\$ 120,184
Fund Balance - January 1 as restated	\$ 712,753	\$ 3,269,789	\$ 282,631	\$ 4,265,173
Fund Balance - December 31	\$ 1,897,340	\$ 2,841,901	\$ 303,958	\$ 5,043,199

The notes to the financial statements are an integral part of this statement.

## MERCER COUNTY

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities For the Year Ended December 31, 2021

---

<b>Net Change in <i>Fund Balances</i> - Total Governmental Funds</b>	<b>\$ 778,026</b>
----------------------------------------------------------------------	-------------------

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	\$ 266,535	
Current Year Depreciation	<u>(762,347)</u>	(495,812)

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Gain on Sale of Capital Assets	9,700
--------------------------------	-------

The proceeds of debt issuances are reported as other financing sources in governmental funds and contribute to change in fund balance. In the statement of net position. Issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.

Debt Issuance	\$ (51,997)	
Forgiveness of Debt	153,910	
Repayment of Debt	<u>546,998</u>	648,911

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences	\$ (2,278)	
Net Change in Interest Payable	5,905	
Net Change in Retainage Payable	<u>2,488</u>	6,115

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable	(14,742)
--------------------------------	----------

The Net Pension & OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension & OPEB Liability	\$ 6,843,833	
Net Change in Deferred Outflows of Resources	(1,996,487)	
Net Change in Deferred Inflows of Resources	<u>(4,957,387)</u>	<u>(110,041)</u>

An internal service fund is used by the county's management to charge the cost of health insurance to individual functions. The net operating income of certain activities of internal service funds is reported with governmental activities.

<u>(545,075)</u>
------------------

<b>Change in <i>Net Position</i> of Governmental Activities</b>	<b><u>\$ 277,082</u></b>
-----------------------------------------------------------------	--------------------------

The notes to the financial statements are an integral part of this statement.



# MERCER COUNTY

## Statement of Net Position – Proprietary Fund For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
<b>ASSETS</b>					
Current Assets					
Cash and Investments	\$ 192,597	\$ -	\$ -	\$ 192,597	\$ 806,108
Restricted Investments					
Landfill Closure and Postclosure Care Costs	-	196,000	87,175	283,175	-
Accounts Receivable	35,074	-	-	35,074	-
Total Current Assets	\$ 227,671	\$ 196,000	\$ 87,175	\$ 510,846	\$ 806,108
Noncurrent Assets:					
Capital Assets					
Nondepreciable	\$ 2,906	\$ -	\$ -	\$ 2,906	\$ -
Depreciable, Net	87,889	-	-	87,889	-
Total Noncurrent Assets	\$ 90,795	\$ -	\$ -	\$ 90,795	\$ -
Total Assets	\$ 318,466	\$ 196,000	\$ 87,175	\$ 601,641	\$ 806,108
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pensions & OPEB	\$ 141,810	\$ -	\$ -	\$ 141,810	\$ -
Total Assets & Deferred Outflows of Resources	\$ 460,276	\$ 196,000	\$ 87,175	\$ 743,451	\$ 806,108
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	\$ 5,256	\$ -	\$ -	\$ 5,256	\$ -
Salaries Payable	2,994	-	-	2,994	-
Compensated Absences	1,612	-	-	1,612	-
Total Current Liabilities	\$ 9,862	\$ -	\$ -	\$ 9,862	\$ -
Noncurrent Liabilities					
Landfill Closure and Postclosure Care Costs	\$ -	\$ -	\$ 253,946	\$ 253,946	\$ -
Compensated Absences	14,503	-	-	14,503	-
Net Pension & OPEB Liability	123,588	-	-	123,588	-
Total Noncurrent Liabilities	\$ 138,091	\$ -	\$ 253,946	\$ 392,037	\$ -
Total Liabilities	\$ 147,953	\$ -	\$ 253,946	\$ 401,899	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pensions & OPEB	\$ 235,993	\$ -	\$ -	\$ 235,993	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 383,946	\$ -	\$ 253,946	\$ 637,892	\$ -
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 90,795	\$ -	\$ -	\$ 90,795	\$ -
Restricted					
Landfill Closure Postclosure Care Costs	-	196,000	-	196,000	
Unrestricted	(14,465)	-	(166,771)	(181,236)	806,108
Total Net Position	\$ 76,330	\$ 196,000	\$ (166,771)	\$ 105,559	\$ 806,108

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund  
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 332,163	\$ -	\$ -	\$ 332,163	\$ -
Contributions to Self Insurance	-	-	-	-	93,255
Miscellaneous	19,765	4,368	16	24,149	93,488
Total Operating Revenues	\$ 351,928	\$ 4,368	\$ 16	\$ 356,312	\$ 186,743
<b>OPERATING EXPENSES</b>					
Operating Expenses	\$ 291,471	\$ 4,368	\$ 30,000	\$ 325,839	\$ -
Closure and Postclosure Costs	-	-	76,133	76,133	-
Dental/Vision Insurance	-	-	-	-	76,824
Depreciation	29,445	-	-	29,445	-
Total Operating Expenses	\$ 320,916	\$ 4,368	\$ 106,133	\$ 431,417	\$ 76,824
Operating Income (Loss)	\$ 31,012	\$ -	\$ (106,117)	\$ (75,105)	\$ 109,919
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	\$ -	\$ 30,000	\$ 34,368	\$ 64,368	\$ -
Transfers Out	(64,368)	-	-	(64,368)	(654,995)
Total Other Financing Sources and Uses	\$ (64,368)	\$ 30,000	\$ 34,368	\$ -	\$ (654,995)
Change in Net Position	\$ (33,356)	\$ 30,000	\$ (71,749)	\$ (75,105)	\$ (545,076)
Net Position - January 1	\$ 321,995	\$ 166,000	\$ (79,815)	\$ 408,180	\$ 1,351,184
Prior Period Adjustment	\$ (212,309)	\$ -	\$ (15,207)	\$ (227,516)	-
Net Position - January 1, As Restated	\$ 109,686	\$ 166,000	\$ (95,022)	\$ 180,664	\$ 1,351,184
Net Position - December 31	\$ 76,330	\$ 196,000	\$ (166,771)	\$ 105,559	\$ 806,108

The notes to the financial statements are an integral part of this statement.

# MERCER COUNTY

## Statement of Cash Flows – Proprietary Fund For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 324,901	\$ -	\$ -	\$ 324,901	\$ -
Contributions to Self Insurance	-	-	-	-	93,255
Payments to Suppliers & Employees	(280,604)	(4,368)	(30,000)	(314,972)	(76,824)
Other Receipts	19,765	4,368	16	24,149	93,488
Net Cash Provided by Operating Activities	\$ 64,062	\$ -	\$ (29,984)	\$ 34,078	\$ 109,919
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	\$ -	\$ 30,000	\$ 34,368	\$ 64,368	\$ -
Transfers Out	(64,368)	-	-	(64,368)	(654,995)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (64,368)	\$ 30,000	\$ 34,368	\$ -	\$ (654,995)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Cash & Cash Equivalents	\$ (306)	\$ 30,000	\$ 4,384	\$ 34,078	\$ (545,076)
Cash and Cash Equivalents, January 1	\$ 192,903	\$ 166,000	\$ 82,791	\$ 441,694	\$ 1,351,184
Cash and Cash Equivalents, December 31	\$ 192,597	\$ 196,000	\$ 87,175	\$ 475,772	\$ 806,108
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	\$ 31,012	\$ -	\$ (106,117)	\$ (75,105)	\$ 109,919
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	\$ 29,445	\$ -	\$ -	\$ 29,445	\$ -
Provision for closure and postclosure care costs	-	-	76,133	76,133	-
Change in Assets and Liabilities					
Accounts Receivable	(7,262)	-	-	(7,262)	-
Accounts Payable	2,658	-	-	2,658	-
Salaries Payable	668	-	-	668	-
Compensated Absences	2,079	-	-	2,079	-
Changes in Pension Items	5,462	-	-	5,462	-
Net Cash Provided by Operating Activities	\$ 64,062	\$ -	\$ (29,984)	\$ 34,078	\$ 109,919

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**

Statement of Fiduciary Net Position – Fiduciary Funds  
December 31, 2021

---

	Custodial Funds
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 2,694,594</u>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	
Liabilities	
Funds Due to Other Governmental Units	<u>\$ 294,173</u>
Total Liabilities	<u>\$ 294,173</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 2,307,537</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,601,710</u>
<b>NET POSITION</b>	
Restricted	
Funds Held for Other Purposes	<u>\$ 92,884</u>
Total Net Position	<u>\$ 92,884</u>

The notes to the financial statements are an integral part of this statement.

**MERCER COUNTY**Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
December 31, 2021

---

	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Tax Collections for Other Governments	\$ 21,939,192
Grant Collections for Other Governments	511,405
Miscellaneous Collections	<u>125,468</u>
 Total Additions	 <u><u>\$ 22,576,065</u></u>
 <b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	\$ 21,939,193
Grant Disbursements to Other Governments	511,405
Miscellaneous Disbursements	<u>32,583</u>
 Total Deductions	 <u><u>\$ 22,483,181</u></u>
 Net Increase (Decrease) in Fiduciary Net Position	 <u><u>\$ 92,884</u></u>
 Net Position - Beginning	 <u><u>\$ -</u></u>
 Net Position - Ending	 <u><u>\$ 92,884</u></u>

The notes to the financial statements are an integral part of this statement.

## MERCER COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

---

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mercer County (hereafter referred to as "County") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### Reporting Entity

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the County are such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the County.

Based on these criteria, the component units discussed below is included within the County's reporting entity because of the significance of its operational or financial relationship with the County.

#### Component Units

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

**Discretely Presented Component Unit:** The component unit column in the government wide financial statements include the financial data of the County's one component unit. The unit is reported in a separate column to emphasize that it is legally separate from the County.

Mercer County Water Resource District - The County's governing board appoints a voting majority of the members of the water resource district's board. The County has the authority to approve or modify the water resource district's operational and capital budgets. The County also must approve the tax levy established by the water resource district.

#### Basis of Presentation

**Government-wide statements.** The statement of net position and the statement of activities display information about the primary government, Mercer County, and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

**Fund Financial Statements.** The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category, *governmental* and *fiduciary*, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

## MERCER COUNTY

### Notes to the Financial Statements – Continued

---

The County reports the following major governmental funds:

*General Fund.* This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Special Revenue Fund.* This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

The County reports the following major enterprise funds:

*Landfill Fund.* This fund accounts for the activities of the county's landfill site.

*Landfill Loan Fund.* The county is required to maintain this fund to accumulate resources to account for the closure and post closure care costs of the landfill site.

*Landfill Closure Reserve Fund.* The county is required to maintain this fund to accumulate resources to account for the closure and post closure care costs of the landfill site.

Additionally, the County reports the following funds:

*Internal Service Fund.* This fund accounts for providing vision, and dental insurance benefits provided to other departments of Mercer County on a cost reimbursement basis.

*Fiduciary Funds.* These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's fiduciary funds are used to account for property taxes collected on behalf of other governments.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

**MERCER COUNTY****Notes to the Financial Statements – Continued**

---

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds, and of the County's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, salaries, administrative expenses, and depreciation on capital assets where applicable. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Cash, Cash Equivalents, and Investments**

Cash includes amounts in demand deposits and money market accounts.

The investments of the County consist of certificates of deposit stated at cost with maturities in excess of three months.

**Capital Assets**

Capital assets include plant and equipment. Assets are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	50 - 100
Infrastructure	20 - 40
Land	Indefinite
Equipment	5 - 15
Vehicles	5 - 15

**Compensated Absences**

Full time employees earn vacation benefits from eight to eighteen hours per month if hired after January 1, 1996 and eight to twenty hours if hired before January 1, 1996, depending on tenure with the County. Employees can carry over a maximum of 240 hours of vacation at December 31 of each year. Upon termination of employment, employees will be paid for vacation benefits that have accrued based on their current rate of pay. Employees terminating employment, that have been continuously employed by the County for a period of five (5) years, and are otherwise eligible to receive sick leave benefits, will be reimbursed for unused sick leave at the rate of 12.5%. Vested or accumulated vacation leave is reported in the general long-term debt account group.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.



## **MERCER COUNTY**

### **Notes to the Financial Statements – Continued**

---

#### **Pension**

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **Fund Balances**

*Fund Balance Spending Policy.* It is the policy of the County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

*Nonspendable Fund Balances.* Nonspendable fund balance is shown for inventory in the special revenue fund.

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state and federal governments for various grants & reimbursements).

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

#### **Net Position**

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

#### **Interfund Transactions**

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 2 PRIOR PERIOD ADJUSTMENTS**

Beginning net position adjustments were necessary for restating net capital assets, long term debt, Landfill Closure and Postclosure Care Costs, fund balance, and for reclassifying a portion of the activity relating to Pensions from the Governmental Activities to the Business-Type Activities. Beginning fund balance adjustments were necessary for reclassifications of fund types and for inventory adjustments. The results increased beginning net position of the governmental activities for the County, decreased beginning net position for the business-type activities of the County, increased beginning fund balance for the General Fund, and increased beginning fund balance for the Special Revenue Fund. Adjustments to beginning net position and fund balance are as follows:

<b>Primary Government - Governmental Activities</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 5,757,042
<b>Adjustment to restate the January 1, 2021 Governmental Net Position</b>	
Inventory Prior Period Adjustment	120,184
Long Term Debt Period Adjustment	(67,821)
Deferred Outflows for Pension Reclass Prior Period Adjustment	(211,074)
Deferred Inflows for Pension Reclass Prior Period Adjustment	59,718
Net Pension Liability Reclass Prior Period Adjustment	363,665
Capital Assets, Net Prior Period Adjustment	36,260
Net Position January 1, as restated	\$ 6,057,974

<b>Primary Government - Business-Type Activities</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 408,180
<b>Adjustment to restate the January 1, 2021 Business-Type Net Position</b>	
Deferred Outflows for Pension Reclass Prior Period Adjustment	211,074
Deferred Inflows for Pension Reclass Prior Period Adjustment	(59,718)
Net Pension Liability Reclass Prior Period Adjustment	(363,665)
Landfill Closure and Postclosure Care Costs, Prior Period Adjustment	(15,207)
Net Position January 1, as restated	\$ 180,664

<b>Primary Government - Special Revenue Fund</b>	<b>Amounts</b>
Beginning Special Revenue Fund Balance, as previously reported	\$ 3,149,605
<b>Adjustment to restate the January 1, 2021 Fund Balance</b>	
Inventory Prior Period Adjustment	120,184
Fund Balance January 1, as restated	\$ 3,269,789

**NOTE 3 PROPERTY TAXES**

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 4 DEFICIT CASH BALANCE**

The following funds had a deficit cash balance at December 31, 2022. The county plans to eliminate this deficit with less spending and or transfers from other funds.

<b>Governmental Activities</b>	<b>2022</b>
<b>Special Revenue Fund</b>	
Transport Deputy Sheriff Fund	\$ (297)
County Road Fund	(310,054)
<b>Total Special Revenue Funds</b>	<b>\$ (310,351)</b>

**NOTE 5 DEPOSITS****Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2022, the County's carrying amount of deposits totaled \$11,098,289, and the bank balances totaled \$11,553,630. Of the bank balances, \$2,918,022 was covered by Federal Depository Insurance. The remaining bank balances, besides \$2,007,150 of the bank balances which were uninsured and uncollateralized, were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2021, the County's carrying amount of deposits totaled \$10,305,351, and the bank balances totaled \$9,685,978. Of the bank balances, \$2,005,993 was covered by Federal Depository Insurance. The remaining bank balances, besides \$410,630 of the bank balances which were uninsured and uncollateralized, were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2022, the Mercer County Water Resource District's carrying amount of deposits totaled \$963,833, and the bank balances totaled \$1,072,434. Of the deposits, a total of \$925,164 was covered by Federal Depository Insurance. The remaining bank balances, besides \$69,374 of the bank balances which were uninsured and uncollateralized, were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2021, the Mercer County Water Resource District's carrying amount of deposits totaled \$1,009,938, and the bank balances totaled \$1,014,040. Of the deposits, a total of \$873,366 was covered by Federal Depository Insurance. The remaining bank balances, besides \$63,825 of the bank balances which were uninsured and uncollateralized, were collateralized with securities held by the pledging financial institution's agent in the government's name.

**NOTE 6 INVESTMENTS****Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rate. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

As authorized in North Dakota Statutes, idle funds may be invested as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

At December 31, 2022 and December 31, 2021, the County and Water Resource District held investments for certificates of deposits, which are all considered deposits. The amounts are shown below:

	<b>Total Investment Value Stated at Cost</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>County</b>	\$ 2,474,282	\$ 3,007,422
<b>Water Resource District</b>	687,743	747,100

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy that specifically addresses credit risk.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer.

**NOTE 7 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal law and regulations require the county to place a final cover on its county landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care cost will be paid only near or after the date the landfill stops accepting waste, the county reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$277,017 reported as landfill closure and post closure care liability at December 31, 2022 and \$253,946 at December 31, 2021, represents the cumulative amounts reported to date based on the use of 26 percent at December 31, 2022 and 25 percent at December 31, 2021 of the estimated capacity of the landfill. The county will recognize the remaining estimated cost of closure and post closure care of \$318,763 at December 31, 2022 and \$251,228 at December 31, 2021 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2022 and 2021. The county plans to close the landfill around the year 2085. Actual cost may be higher due to inflation, changes in technology, or changes in regulation.

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

The county is required by state and federal laws and regulations to make annual contributions to a separate fund to finance closure and post closure care. The county is in compliance with these requirements, at December 31, 2022, cash of \$317,601 and at December 31, 2021 cash of \$283,175 is held for this purpose. The county expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**NOTE 8 CONSTRUCTION COMMITMENTS****Primary Government**

The County had the following open construction commitment on courthouse upgrades at December 31, 2022:

Project	Original Contract	Change Orders	Total Contract with Change Orders	Total Completed	Retainage	Remaining Balance includes Retainages	% Complete
Mercer County Courthouse Upgrades	\$ 1,009,925	-	1,009,925	\$ 293,009	\$ -	\$ 716,916	29.01%

**NOTE 9 TRANSFERS**

Transfers are used to move unrestricted general revenue to finance programs that the County accounts for in other funds in accordance with budget authority and to subsidize other programs. Transfers were also made to close out funds and to finance various projects. The following table shows amounts reported for transfers in and transfers out as reported in the basic financial statements in the governmental funds for the year ended December 31, 2022 and 2021:

<b>Transfers - 2022</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Governmental Funds</b>		
General Fund	\$ 44,950	\$ 160,346
Special Revenue Fund	2,560,827	2,511,327
Non Major Funds	65,896	-
<b>Enterprise Funds</b>		
Landfill Fund	-	34,368
Landfill Closure Reserve Fund	30,000	-
Landfill Loan Fund	4,368	-
<b>Total Transfers</b>	<b>\$ 2,671,673</b>	<b>\$ 2,671,673</b>

<b>Transfers - 2021</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Funds</b>		
General Fund	\$ 773,610	\$ 512,165
Special Revenue Fund	3,158,990	2,765,440
<b>Enterprise Funds</b>		
Landfill Fund	-	64,368
Landfill Closure Reserve Fund	30,000	-
Landfill Loan Fund	34,368	-
<b>Internal Service Fund</b>	-	654,995
<b>Total Transfers</b>	<b>\$ 3,996,968</b>	<b>\$ 3,996,968</b>

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 10 CAPITAL ASSETS****Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2022 and year ended December 31, 2021:

<b>Primary Government - 2022</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 51,000	\$ -	\$ -	\$ -	\$ 51,000
Construction in Progress	-	293,009	-	-	293,009
Total capital assets not being depreciated	\$ 51,000	\$ 293,009	\$ -	\$ -	\$ 344,009
<i>Capital assets, being depreciated</i>					
Buildings	\$ 12,935,846	\$ -	\$ -	\$ -	\$ 12,935,846
Equipment/Vehicles	5,852,835	56,400	(37,432)	-	5,871,803
Infrastructure	3,365,581	-	-	-	3,365,581
Total capital assets, being depreciated	\$ 22,154,262	\$ 56,400	\$ (37,432)	\$ -	\$ 22,173,230
<i>Less accumulated depreciation for</i>					
Buildings	\$ 1,893,774	\$ 171,625	\$ -	\$ -	\$ 2,065,399
Equipment/Vehicles	3,862,007	373,110	(34,672)	-	4,200,445
Infrastructure	1,040,572	166,072	-	-	1,206,644
Total accumulated depreciation	\$ 6,796,353	\$ 710,807	\$ (34,672)	\$ -	\$ 7,472,488
Total capital assets being depreciated, net	\$ 15,357,909	\$ (654,407)	\$ (2,760)	\$ -	\$ 14,700,742
Total capital assets, net	\$ 15,408,909	\$ (361,398)	\$ (2,760)	\$ -	\$ 15,044,751

Depreciation expense was charged to functions of the County at December 31, 2022 as follows:

General Government	\$ 101,690
Public Safety	118,030
Highways and Bridges	480,112
Health and Welfare	1,733
Conservation of Natural Resources	9,242
Total Depreciation Expense	\$ 710,807

**Business-Type Activities**

<b>Business-Type Activities - 2022</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 2,906	\$ -	\$ -	\$ -	\$ 2,906
<i>Capital assets, being depreciated</i>					
Buildings	\$ 226,344	\$ -	\$ -	\$ -	\$ 226,344
Equipment/Vehicles	462,697	-	-	-	462,697
Total capital assets, being depreciated	\$ 689,041	\$ -	\$ -	\$ -	\$ 689,041
<i>Less accumulated depreciation for</i>					
Buildings	\$ 226,344	\$ -	\$ -	\$ -	\$ 226,344
Equipment/Vehicles	374,808	17,222	-	-	392,030
Total accumulated depreciation	\$ 601,152	\$ 17,222	\$ -	\$ -	\$ 618,374
Total capital assets being depreciated, net	\$ 87,889	\$ (17,222)	\$ -	\$ -	\$ 70,667
Total capital assets, net	\$ 90,795	\$ (17,222)	\$ -	\$ -	\$ 73,573

Depreciation expense was charged to the landfill fund for Business-Type activities.

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

<b>Primary Government - 2021</b>	<b>Restated Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 51,000	\$ -	\$ -	\$ -	\$ 51,000
Construction in Progress	36,260	67,821	-	(104,081)	-
Total capital assets not being depreciated	\$ 87,260	\$ 67,821	\$ -	\$ (104,081)	\$ 51,000
<i>Capital assets, being depreciated</i>					
Buildings	\$ 12,935,846	\$ -	\$ -	\$ -	\$ 12,935,846
Equipment/Vehicles	5,688,439	356,515	(296,200)	104,081	5,852,835
Infrastructure	3,365,581	-	-	-	3,365,581
Total capital assets, being depreciated	\$ 21,989,866	\$ 356,515	\$ (296,200)	\$ 104,081	\$ 22,154,262
<i>Less accumulated depreciation for</i>					
Buildings	\$ 1,722,150	\$ 171,624	\$ -	\$ -	\$ 1,893,774
Equipment/Vehicles	3,585,455	424,652	(148,100)	-	3,862,007
Infrastructure	874,500	166,072	-	-	1,040,572
Total accumulated depreciation	\$ 6,182,105	\$ 762,348	\$ (148,100)	\$ -	\$ 6,796,353
Total capital assets being depreciated, net	\$ 15,807,761	\$ (405,833)	\$ (148,100)	\$ 104,081	\$ 15,357,909
Total capital assets, net	\$ 15,895,021	\$ (338,012)	\$ (148,100)	\$ -	\$ 15,408,909

Depreciation expense was charged to functions of the County as follows:

General Government	\$ 102,610
Public Safety	146,646
Highways and Bridges	502,117
Health and Welfare	1,733
Conservation of Natural Resources	9,242
Total Depreciation Expense	\$ 762,348

**Business-Type Activities**

<b>Business-Type Activities - 2021</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 2,906	\$ -	\$ -	\$ -	\$ 2,906
<i>Capital assets, being depreciated</i>					
Buildings	\$ 226,344	\$ -	\$ -	\$ -	\$ 226,344
Equipment/Vehicles	462,697	-	-	-	462,697
Total capital assets, being depreciated	\$ 689,041	\$ -	\$ -	\$ -	\$ 689,041
<i>Less accumulated depreciation for</i>					
Buildings	\$ 226,344	\$ -	\$ -	\$ -	\$ 226,344
Equipment/Vehicles	345,363	29,445	-	-	374,808
Total accumulated depreciation	\$ 571,707	\$ 29,445	\$ -	\$ -	\$ 601,152
Total capital assets being depreciated, net	\$ 117,334	\$ (29,445)	\$ -	\$ -	\$ 87,889
Total capital assets, net	\$ 120,240	\$ (29,445)	\$ -	\$ -	\$ 90,795

Depreciation expense was charged to the landfill fund for Business-Type activities.

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

**Discretely Presented Component Unit****Water Resource District**

The following is a summary of changes in capital assets for the year ended December 31, 2022:

<b>Water Resource District - 2022</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ 125,000	\$ -	\$ -	\$ 125,000
Total capital assets, net	\$ -	\$ 125,000	\$ -	\$ -	\$ 125,000

The Water Resource District did not have any capital assets for the year ended December 31, 2021.

**NOTE 11 LONG-TERM LIABILITIES****Primary Government**

During the year ended December 31, 2022 and 2021, the following changes occurred in governmental activities and business-type activities long-term liabilities:

<b>Governmental Activities - 2022</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Notes Payable	\$ 403,501	\$ -	\$ 231,605	\$ 171,896	\$ 32,555
Bonds Payable	2,820,000	-	150,000	2,670,000	155,000
Bond Premium	37,312	-	2,487	34,825	2,487
Loans Payable	5,192,034	-	314,401	4,877,633	323,963
Total Long-Term Debt	\$ 8,452,847	\$ -	\$ 698,493	\$ 7,754,354	\$ 514,005
Compensated Absences	382,807	254,204	267,544	369,467	36,947
Net Pension/OPEB Liability *	3,484,317	6,241,484	-	9,725,801	-
Total Governmental Activities	\$ 12,319,971	\$ 6,495,688	\$ 966,037	\$ 17,849,622	\$ 550,952

<b>Governmental Activities - 2021</b>	<b>Restated Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Capital Lease Payable	\$ 155,560	\$ -	\$ 155,560	\$ -	\$ -
Notes Payable	441,731	51,997	90,227	403,501	111,074
Bonds Payable	2,970,000	-	150,000	2,820,000	150,000
Bond Premium	39,800	-	2,488	37,312	2,488
Loans Payable	5,497,154	-	305,120	5,192,034	314,400
Total Long-Term Debt	\$ 9,104,245	\$ 51,997	\$ 703,395	\$ 8,452,847	\$ 577,962
Compensated Absences	380,529	290,701	288,423	382,807	38,281
Net Pension/OPEB Liability *	10,328,150	-	6,843,833	3,484,317	-
Total Governmental Activities	\$ 19,812,924	\$ 342,698	\$ 7,835,651	\$ 12,319,971	\$ 616,243

\*The change in Net Pension & OPEB Liability is shown as a net change.

Compensated absences are paid out of the General Fund and Special Revenue Fund.



**MERCER COUNTY**

## Notes to the Financial Statements – Continued

Debt service requirements as of December 31, 2022 on long-term debt is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>							
<b>Year Ending Dec 31</b>	<b>Notes Payable</b>		<b>Bonds Payable</b>		<b>Loans Payable</b>		<b>Bond Premium</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2023	\$ 32,555	\$ 4,810	\$ 155,000	\$ 74,525	\$ 323,963	\$ 141,899	\$ 2,487
2024	68,366	5,258	160,000	70,975	333,817	132,045	2,487
2025	34,877	2,488	165,000	66,913	343,970	121,892	2,487
2026	36,098	1,250	170,000	62,725	354,433	111,429	2,488
2027	-	-	175,000	57,975	365,213	100,649	2,488
2028-2032	-	-	955,000	206,925	1,999,603	329,707	12,438
2033-2037	-	-	890,000	54,600	1,156,634	46,843	9,950
2038-2042	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 171,896</b>	<b>\$ 13,806</b>	<b>\$ 2,670,000</b>	<b>\$ 594,638</b>	<b>\$ 4,877,633</b>	<b>\$ 984,464</b>	<b>\$ 34,825</b>

<b>Business-Type Activities - 2022</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Landfill Post Closure Liability	\$ 253,946	\$ 23,071	\$ -	\$ 277,017	\$ -
Compensated Absences	16,115	13,057	12,799	16,373	1,637
Net Pension/OPEB Liability *	123,588	215,130	-	338,718	-
<b>Total Business-Type Activities</b>	<b>\$ 393,649</b>	<b>\$ 251,258</b>	<b>\$ 12,799</b>	<b>\$ 632,108</b>	<b>\$ 1,637</b>

<b>Business-Type Activities - 2021</b>	<b>Restated Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Landfill Post Closure Liability	\$ 177,813	\$ 76,133	\$ -	\$ 253,946	\$ -
Compensated Absences	14,036	10,551	8,472	16,115	1,612
Net Pension/OPEB Liability *	363,665	-	240,077	123,588	-
<b>Total Business-Type Activities</b>	<b>\$ 555,514</b>	<b>\$ 86,684</b>	<b>\$ 248,549</b>	<b>\$ 393,649</b>	<b>\$ 1,612</b>

\*The change in Net Pension & OPEB Liability is shown as a net change.

Compensated absences are paid out of the Landfill Fund.

**NOTE 12 PENSION PLAN****General Information about the NDPERS Pension Plan****North Dakota Public Employees Retirement System (Main System)**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

## **MERCER COUNTY**

### **Notes to the Financial Statements – Continued**

---

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

#### **Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

#### **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

#### **Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

#### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2022 and 2021, the following net pension liabilities were reported:

	<b>Net Pension Liability</b>
Primary Government - 2022	\$ 9,664,063
Primary Government - 2021	3,428,919

The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2022 and 2021 the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2021 and 2022 Measurement</b>	<b>Pension Expense</b>
Primary Government - 2022	0.335550%	0.006574%	\$ 1,241,790
Primary Government - 2021	0.328976%	-0.002370%	536,586

At December 31, 2022 and 2021, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

<b>Primary Government - 2022</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 50,410	\$ 184,600
Changes in Assumptions	5,779,252	3,582,398
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	353,703	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	96,776	148,982
Contributions - Employer	168,165	-
<b>Total</b>	<b>\$ 6,448,306</b>	<b>\$ 3,915,980</b>

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

<b>Primary Government - 2021</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 59,200	\$ 349,968
Changes in Assumptions	3,795,147	4,948,079
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,271,732
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	52,097	241,872
Contributions - Employer	161,927	-
<b>Total</b>	<b>\$ 4,068,371</b>	<b>\$ 6,811,651</b>

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022 and 2021:

County - 2022	\$ 168,165
County - 2021	161,927

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	626,749
2024	777,689
2025	52,752
2026	906,584

**Actuarial Assumptions**

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equities	30%	6.00%
International Equities	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

**Discount Rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (4.10%)</b>	<b>Current Discount Rate (5.10%)</b>	<b>1% Increase (6.10%)</b>
Primary Government	\$ 12,755,899	\$ 9,664,063	\$ 7,125,773

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

**NOTE 13      OPEB PLAN****General Information about the OPEB Plan*****North Dakota Public Employees Retirement System***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2022 and 2021, the following net OPEB liabilities were reported:

	<b>Net OPEB Liability</b>
Primary Government - 2022	\$ 400,456
Primary Government - 2021	178,986

The net OPEB liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2022 and 2021, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2021 and 2022 Measurement</b>	<b>OPEB Expense</b>
Primary Government - 2022	0.333627%	0.011809%	\$ 67,519
Primary Government - 2021	0.321818%	0.003701%	23,426

At December 31, 2022 and 2021, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

<b>Primary Government - 2022</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 9,494	\$ 3,444
Changes of Assumptions	100,870	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	53,920	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	9,938	8,761
Contributions - Employer	26,925	-
<b>Total</b>	<b>\$ 201,147</b>	<b>\$ 12,205</b>

<b>Primary Government - 2021</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 10,279	\$ 4,906
Changes of Assumptions	27,718	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	61,325
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	7,577	11,496
Contributions - Employer	25,927	-
<b>Total</b>	<b>\$ 71,501</b>	<b>\$ 77,727</b>

**MERCER COUNTY**

## Notes to the Financial Statements – Continued

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022:

County - 2022	\$ 26,925
County - 2021	25,927

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

2023	42,851
2024	39,816
2025	33,392
2026	45,958
2027	-
2028	-

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
International Equities	26%	6.25%
Domestic Fixed Income	35%	0.50%



**MERCER COUNTY**

## Notes to the Financial Statements – Continued

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

<b>Proportionate Share of the OPEB Liability</b>	<b>1% Decrease (4.39%)</b>	<b>Current Discount Rate (5.39%)</b>	<b>1% Increase (6.39%)</b>
County	\$ 511,158	\$ 400,456	\$ 307,524

**NOTE 14 RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDIRF is limited to losses of four million dollars per occurrence for general liability, four million for automobile, and \$4,916,584 for public assets/mobile equipment and portable property.

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**MERCER COUNTY**

## Budgetary Comparison Schedule – General Fund

For the Year Ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,548,501	\$ 2,548,501	\$ 2,502,973	\$ (45,528)
Intergovernmental	2,536,582	2,536,582	3,909,647	1,373,065
Charges for Services	285,344	285,344	347,337	61,993
Licenses, Permits and Fees	7,510	7,510	17,937	10,427
Interest Income	-	-	82,926	82,926
Miscellaneous	83,641	83,641	91,432	7,791
Total Revenues	\$ 5,461,578	\$ 5,461,578	\$ 6,952,252	\$ 1,490,674
<b>EXPENDITURES</b>				
Current				
General Government	\$ 3,463,066	\$ 3,534,464	\$ 3,140,716	\$ 393,748
Public Safety	2,416,128	2,508,446	2,469,635	38,811
Health & Welfare	60,000	60,000	53,562	6,438
Debt Service				
Principal	-	-	314,401	(314,401)
Interest & Fees	-	-	151,461	(151,461)
Total Expenditures	\$ 5,939,194	\$ 6,102,910	\$ 6,129,775	\$ (26,865)
Excess (Deficiency) of Revenues Over Expenditures	\$ (477,616)	\$ (641,332)	\$ 822,477	\$ 1,463,809
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 44,950	\$ 44,950
Transfers Out	(23,500)	(71,939)	(160,346)	(88,407)
Total Other Financing Sources and Uses	\$ (23,500)	\$ (71,939)	\$ (115,396)	\$ (43,457)
Net Change in Fund Balance	\$ (501,116)	\$ (713,271)	\$ 707,081	\$ 1,420,352
Fund Balance - January 1	\$ 1,897,340	\$ 1,897,340	\$ 1,897,340	\$ -
Fund Balance - December 31	\$ 1,396,224	\$ 1,184,069	\$ 2,604,421	\$ 1,420,352

The accompanying required supplementary information notes are an integral part of this schedule.

**MERCER COUNTY**

## Budgetary Comparison Schedule – Special Revenue Fund

For the Year Ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,830,978	\$ 1,830,978	\$ 1,550,992	\$ (279,986)
Intergovernmental	2,153,410	2,153,410	3,356,133	1,202,723
Charges for Services	199,800	199,800	273,823	74,023
Licenses, Permits and Fees	20,000	20,000	99,894	79,894
Interest Income	-	-	13,263	13,263
Miscellaneous	52,500	52,500	51,567	(933)
Total Revenues	\$ 4,256,688	\$ 4,256,688	\$ 5,345,672	\$ 1,088,984
<b>EXPENDITURES</b>				
Current				
General Government	\$ 500	\$ 2,799	\$ 490,701	\$ (487,902)
Public Safety	772,655	783,480	707,774	75,706
Highways	3,246,893	3,599,385	3,351,017	248,368
Health and Welfare	23,968	23,968	22,905	1,063
Conser. of Natural Resources	520,748	520,748	438,977	81,771
Emergency	10,000	10,000	6,902	3,098
Debt Service				-
Principal	288,681	288,681	231,604	57,077
Interest	22,692	22,692	9,572	13,120
Total Expenditures	\$ 4,886,137	\$ 5,251,753	\$ 5,259,452	\$ (7,699)
Excess (Deficiency) of Revenues Over Expenditures	\$ (629,449)	\$ (995,065)	\$ 86,220	\$ 1,081,285
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 3,075,500	\$ 3,075,500	\$ 2,560,827	\$ (514,673)
Transfers Out	(2,952,000)	(2,952,000)	(2,511,327)	440,673
Total Other Financing Sources and Uses	\$ 123,500	\$ 123,500	\$ 49,500	\$ (74,000)
Net Change in Fund Balances	\$ (505,949)	\$ (871,565)	\$ 135,720	\$ 1,007,285
Fund Balance - January 1	\$ 2,841,901	\$ 2,841,901	\$ 2,841,901	\$ -
Fund Balance - December 31	\$ 2,335,952	\$ 1,970,336	\$ 2,977,621	\$ 1,007,285

The accompanying required supplementary information notes are an integral part of this schedule.

**MERCER COUNTY**

Budgetary Comparison Schedule – General Fund  
For the Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,524,000	\$ 2,524,000	\$ 2,481,439	\$ (42,561)
Intergovernmental	2,350,657	2,350,657	3,323,202	972,545
Charges for Services	323,712	323,712	340,855	17,143
Licenses, Permits and Fees	7,010	7,010	19,605	12,595
Interest Income	30,000	30,000	58,636	28,636
Miscellaneous	204,641	204,641	203,122	(1,519)
<b>Total Revenues</b>	<b>\$ 5,440,020</b>	<b>\$ 5,440,020</b>	<b>\$ 6,426,859</b>	<b>\$ 986,839</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 3,203,658	\$ 3,248,365	\$ 3,041,785	\$ 206,580
Public Safety	2,012,739	2,035,884	1,958,692	77,192
Health & Welfare	60,000	60,000	37,378	22,622
Debt Service				
Principal	-	-	305,120	(305,120)
Interest & Fees	-	-	160,742	(160,742)
<b>Total Expenditures</b>	<b>\$ 5,276,397</b>	<b>\$ 5,344,249</b>	<b>\$ 5,503,717</b>	<b>\$ (159,468)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 163,623	\$ 95,771	\$ 923,142	\$ 827,371
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 705,025	\$ 705,025	\$ 773,610	\$ 68,585
Transfers Out	(636,347)	(636,347)	(512,165)	124,182
<b>Total Other Financing Sources and Uses</b>	<b>\$ 68,678</b>	<b>\$ 68,678</b>	<b>\$ 261,445</b>	<b>\$ 192,767</b>
<b>Net Change in Fund Balance</b>	<b>\$ 232,301</b>	<b>\$ 164,449</b>	<b>\$ 1,184,587</b>	<b>\$ 1,020,138</b>
Fund Balance - January 1	\$ 712,753	\$ 712,753	\$ 712,753	\$ -
Fund Balance Reclassification	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1 Restated	\$ 712,753	\$ 712,753	\$ 712,753	\$ -
<b>Fund Balance - December 31</b>	<b>\$ 945,054</b>	<b>\$ 877,202</b>	<b>\$ 1,897,340</b>	<b>\$ 1,020,138</b>

The accompanying required supplementary information notes are an integral part of this schedule.

**MERCER COUNTY**Budgetary Comparison Schedule – Special Revenue Fund  
For the Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,516,114	\$ 1,516,114	\$ 1,233,344	\$ (282,770)
Intergovernmental	1,182,038	1,326,533	1,699,736	373,203
Charges for Services	196,800	196,800	239,552	42,752
Licenses, Permits and Fees	20,000	20,000	38,339	18,339
Interest Income	-	-	550	550
Miscellaneous	50,500	50,500	57,311	6,811
<b>Total Revenues</b>	<b>\$ 2,965,452</b>	<b>\$ 3,109,947</b>	<b>\$ 3,268,832</b>	<b>\$ 158,885</b>
<b>EXPENDITURES</b>				
Current				
Public Safety	\$ 597,866	\$ 598,057	\$ 628,508	\$ (30,451)
Highways	3,150,820	3,155,245	2,937,464	217,781
Health and Welfare	23,178	23,488	23,686	(198)
Conser. of Natural Resources	516,745	516,745	437,737	79,008
Emergency	-	-	2,829	(2,829)
Debt Service				
Principal	65,188	65,188	91,878	26,690
Interest	14,036	14,036	20,165	6,129
<b>Total Expenditures</b>	<b>\$ 4,367,833</b>	<b>\$ 4,372,759</b>	<b>\$ 4,142,267</b>	<b>\$ 296,130</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ (1,402,381)</b>	<b>\$ (1,262,812)</b>	<b>\$ (873,435)</b>	<b>\$ 389,377</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	\$ -	\$ -	\$ 51,997	\$ 51,997
Transfers In	3,231,705	3,231,705	3,158,990	(72,715)
Transfers Out	(2,758,713)	(2,758,713)	(2,765,440)	(6,727)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 472,992</b>	<b>\$ 472,992</b>	<b>\$ 445,547</b>	<b>\$ (27,445)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (929,389)</b>	<b>\$ (789,820)</b>	<b>\$ (427,888)</b>	<b>\$ 361,932</b>
Fund Balance - January 1	\$ 3,149,605	\$ 3,149,605	\$ 3,149,605	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ 120,184	\$ 120,184
Fund Balance - January 1 Restated	\$ 3,269,789	\$ 3,269,789	\$ 3,269,789	\$ -
Fund Balance - December 31	<b>\$ 2,340,400</b>	<b>\$ 2,479,969</b>	<b>\$ 2,841,901</b>	<b>\$ 361,932</b>

The accompanying required supplementary information notes are an integral part of this schedule.

**MERCER COUNTY**

## Schedule of Employer's Share of Net Pension Liability and Employer Contributions

For the Year Ended December 31, 2022 and 2021

**Schedule of Employer's Share of Net Pension Liability  
ND Public Employee's Retirement System  
Last 10 Fiscal Years**

<b>County</b>	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.335550%	\$ 9,664,063	\$ 3,895,186	248.10%	54.47%
2021	0.328976%	3,428,919	3,725,298	92.04%	78.26%
2020	0.331346%	10,424,216	3,655,147	285.19%	48.91%
2019	0.340589%	3,991,950	3,542,702	112.68%	71.66%
2018	0.367219%	6,197,221	3,772,503	164.27%	62.80%
2017	0.346070%	5,562,481	3,532,831	157.45%	61.98%
2016	0.346286%	3,374,895	3,489,744	96.71%	70.46%
2015	0.304012%	2,067,230	2,708,377	76.33%	77.15%
2014	0.283028%	1,769,439	2,384,177	74.22%	77.70%

**Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years**

<b>County</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 313,669	\$ 275,596	\$ 38,073	\$ 4,405,467	6.26%
2021	302,023	268,510	33,513	4,241,899	6.33%
2020	258,816	261,265	(2,449)	3,805,376	6.87%
2019	257,929	262,811	(4,882)	3,542,702	7.42%
2018	277,861	268,923	8,938	3,772,503	7.13%
2017	256,173	273,674	(17,501)	3,532,831	7.75%
2016	252,652	219,001	33,651	3,489,744	6.28%
2015	205,723	204,848	875	2,708,377	7.56%
2014	169,753	169,753	-	2,384,177	7.12%

The accompanying required supplementary information notes are an integral part of this schedule.

**MERCER COUNTY**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
For the Year Ended December 31, 2022 and 2021

**Schedule of Employer's Share of Net OPEB Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years**

<b>County</b>	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	0.333627%	\$ 400,456	\$ 3,444,377	11.63%	56.28%
2021	0.321818%	178,986	3,508,645	5.10%	63.13%
2020	0.318117%	267,599	3,626,445	7.38%	63.38%
2019	0.317487%	255,002	3,542,702	7.20%	63.13%
2018	0.344767%	(271,528)	3,772,503	-7.20%	61.89%
2017	0.326557%	259,288	3,532,831	7.34%	59.78%

**Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years**

<b>County</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 44,719	\$ 44,623	\$ 96	\$ 3,922,692	1.14%
2021	45,379	42,992	2,387	3,980,597	1.08%
2020	42,603	41,650	953	3,805,376	1.09%
2019	41,202	42,080	(878)	3,542,702	1.19%
2018	44,249	43,056	1,193	3,772,503	1.14%
2017	41,067	43,818	(2,751)	3,532,831	1.24%

The accompanying required supplementary information notes are an integral part of this schedule.

## **MERCER COUNTY**

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2022 and 2021

---

### **NOTE 1       STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgetary Information**

- The County commission adopts an appropriated budget on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The County auditor prepares an annual budget for the general fund and each special revenue fund of the County. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.
- The County commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The board of County commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the County auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

### **NOTE 2       SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS**

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

### **NOTE 3       CHANGES OF BENEFIT TERMS – PENSION AND OPEB**

#### **Pension**

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

#### **OPEB**

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.



**MERCER COUNTY**

## Notes to the Required Supplementary Information - Continued

**NOTE 4 CHANGES OF ASSUMPTIONS – PENSION AND OPEB****Pension**

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

**OPEB**

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

**NOTE 5 LEGAL COMPLIANCE - BUDGETS****Budget Amendments**

The board of County commissioners amended the budget for 2022 and 2021 as follows:

<b>2022</b>	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
<b>EXPENDITURES</b>			
General Fund	\$ 7,148,194	\$ 163,716	\$ 7,311,910
Special Revenue Fund	4,886,137	365,616	5,251,753
<b>TRANSFER OUT</b>			
General Fund	23,500	48,439	71,939

<b>2021</b>	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
<b>EXPENDITURES</b>			
General Fund	\$ 5,276,397	67,852	\$ 5,344,249
Special Revenue Fund	4,367,833	4,926	4,372,759

<b>2021</b>	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
<b>REVENUES</b>			
Special Revenue Fund	\$ 2,965,452	\$ 144,495	\$ 3,109,947

**NOTE 6 BUDGET TO ACTUAL - COAL IMPACT LOAN**

The State Treasurer pays the principal and interest expense on the County's coal impact loan. This revenue and expense do not get recorded into the County's general ledger. The general fund revenues and expenses are adjusted during preparation of the financial statements to include this activity for proper financial statement inclusion. Therefore, the actual expenses that the County expended are not overspent from the County budget in 2022 or 2021.

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

[ndsao@nd.gov](mailto:ndsao@nd.gov)

---

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

---

### Independent Auditor's Report

Board of County Commissioners  
Mercer County  
Stanton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mercer County as of and for the years ended December 31, 2021 and 2022, and the related notes to the financial statements, which collectively comprise Mercer County's basic financial statements, and have issued our report thereon dated June 25, 2024

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mercer County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mercer County's internal control. Accordingly, we do not express an opinion on the effectiveness of Mercer County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2022-001, 2022-002, 2022-003, 2022-004, 2022-005, and 2022-006 that we consider to be material weaknesses.

## MERCER COUNTY

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

---

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mercer County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings* as items 2022-002 and 2022-003.

### Mercer County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Mercer County's response to the findings identified in our audit and described in the accompanying *schedule of audit findings*. Mercer County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
June 25, 2024

## MERCER COUNTY

Summary of Auditor's Results

For the Year Ended December 31, 2022 and 2021

---

### Financial Statements

Type of Report Issued:

Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

### Internal control over financial reporting

Material weaknesses identified?	<u>  X  </u> Yes	<u>      </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Noted
Noncompliance material to financial statements noted?	<u>  X  </u> Yes	<u>      </u> None Noted

## **MERCER COUNTY**

Schedule of Audit Findings

For the Year Ended December 31, 2022 and 2021

---

### **2022-001 AS/400 REPORTING ISSUES WITH TRANSFERS – MATERIAL WEAKNESS**

#### **Condition**

At times the fund balance reports, revenue and expenditure summary reports, and revenue and expenditure detail reports generated by the AS/400 accounting software do not consistently agree to each other.

#### **Effect**

Mercer County management may have difficulty making informed decisions due to the discrepancies in the AS/400 accounting software.

#### **Cause**

The AS/400 accounting software may not be set up properly to ensure all transactions including journal entries such as transfers and reversing journal entries are reported in all types of reports.

#### **Criteria**

Proper internal control according to the COSO framework requires the organization to obtain or generate and use relevant, quality information for internal communication as well as with external parties.

#### **Prior Recommendation**

Yes.

#### **Recommendation**

We recommend Mercer County review the current reports that are generated in the AS/400 software to ensure the reports consistently agree to each other.

#### **Mercer County's Response**

We agree. Mercer County will review transfers in and out to ensure they are accurately recorded in the AS/400 software going forward.

## MERCER COUNTY

### Schedule of Audit Findings - Continued

---

#### **2022-002      INCORRECT   MILL   LEVY   CALCULATION   –   MATERIAL   WEAKNESS   &   MATERIAL NONCOMPLIANCE**

##### **Condition**

Mercer County improperly calculated the unorganized road mill levy for the 2021 and 2020 tax years.

##### **Effect**

Mercer County under levied for the unorganized road fund which resulted in the County collecting \$256,016 and \$266,850 less in property tax revenues in 2022 and 2021, respectively due to the improper calculation. In addition, Mercer County is in noncompliance with N.D.C.C. §57-15-02.

##### **Cause**

Mercer County did not have a procedure in place to ensure the proper taxable valuation was used for the unorganized road mill levy calculation as the County used the overall County taxable valuation in the mill levy calculation instead of using the taxable valuation attributable to the unorganized townships.

##### **Criteria**

N.D.C.C. §57-15-02 states, "The tax rate of all taxes, except taxes the rate of which is fixed by law, must be calculated and fixed by the county auditor within the limitations prescribed by statute. If any municipality levies a greater amount than the prescribed maximum legal rate of levy will produce, the county auditor shall extend only such amount of tax as the prescribed maximum legal rate of levy will produce. The rate must be based and computed on the taxable valuation of taxable property in the municipality or district levying the tax. The rate of all taxes must be calculated by the county auditor in mills, tenths, and hundredths of mills."

##### **Prior Recommendation**

No.

##### **Recommendation**

We recommend that Mercer County implement procedures to ensure its compliance with all aspects of N.D.C.C. §57-15-02.

##### **Mercer County's Response**

We agree. Mercer County will review the budget for the Unorganized Road and Bridge Fund and ensure the proper mill levy value is being used going forward.

## **MERCER COUNTY**

### **Schedule of Audit Findings - Continued**

---

#### **2022-003 UNDERPLEDGED SECURITIES – COUNTY & WATER RESOURCE DISTRICT – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE**

##### **Condition**

Mercer County did not obtain adequate pledge of assets at Union State Bank as of December 31, 2021 and December 31, 2022. Mercer County was under pledged by \$410,630 in 2021 and \$2,007,150 in 2022. Mercer County Water Resource District did not obtain adequate pledge of assets at Capital Credit Union and The Union Bank as of December 31, 2021 and December 31, 2022. Mercer County Water Resource District was under pledged by a total of \$63,825 in 2021 and \$69,374 in 2022.

##### **Effect**

Mercer County and Mercer County Water Resource District are not in compliance with N.D.C.C. §21-04-09.

##### **Cause**

Mercer County and Mercer County Water Resource District did not have a process to ensure the entity is adequately pledged.

##### **Criteria**

N.D.C.C. §21-04-09 states "When securities are pledged to the board of any public corporation, the treasurer or other individual legally charged with the custody of public funds shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits."

Additionally, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the pledging of assets, management is responsible for adequate internal controls surrounding pledging of assets.

##### **Prior Recommendation**

Yes.

##### **Recommendation**

We recommend that the Mercer County and Mercer County Water Resource District ensure that it maintains adequate pledges of securities at any bank where the bank balances could exceed FDIC Insurance.

##### **Mercer County and Mercer County Water Resource District's Response**

We agree. Mercer County and Mercer County Water Resource District will work to obtain adequate pledging in the future.

## **MERCER COUNTY**

### **Schedule of Audit Findings - Continued**

---

#### **2022-004    AUDIT ADJUSTMENTS – COUNTY & WATER RESOURCE DISTRICT – MATERIAL WEAKNESS**

##### **Condition**

During the audit of Mercer County and Mercer County Water Resource District, we proposed multiple adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

##### **Effect**

There is an increased risk of material misstatement to Mercer County and Mercer County Water Resource District's financial statements.

##### **Cause**

Mercer County and Mercer County Water Resource District may not have had procedures in place to ensure the financial statements are complete and accurate in accordance with GAAP.

##### **Criteria**

Mercer County and Mercer County Water Resource District is responsible for the presentation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

##### **Prior Recommendation**

Yes.

##### **Recommendation**

We recommend Mercer County and Mercer County Water Resource District review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

##### **Mercer County & Mercer County Water Resource District's Response**

We agree. Adjustments were implemented at the time of the audit.



## **MERCER COUNTY**

### **Schedule of Audit Findings - Continued**

---

#### **2022-005    ACCURACY OF FINANCIAL REPORTS – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS**

##### **Condition**

The annual financial reports submitted to the board did not agree to the underlying records for December 31, 2022 and 2021. Audit adjustments were proposed to the financial statements in order to fix the errors and bring the statements in accordance with GAAP. The adjustments were approved by management and are reflected in the financial statements.

##### **Effect**

Mercer County Water Resource District management may have difficulty making informed decisions due to the discrepancies in the annual financial reports.

##### **Cause**

Mercer County Water Resource District does not have a proper review process in place, including a review of the bank reconciliations, to ensure the annual financial reports are complete and accurate.

##### **Criteria**

Proper internal control according to the COSO framework requires the organization to obtain or generate and use relevant, quality information for internal communication as well as with external parties.

##### **Prior Recommendation**

Yes.

##### **Recommendation**

We recommend Mercer County Water Resource District review its bank reconciliations to ensure all financial reports agree and are complete and accurate.

##### **Mercer County Water Resource District's Response**

We agree. Mercer County Water Resource District will review the monthly reports to ensure the cash balances agree to the reconciled bank statements in the future.

## **MERCER COUNTY**

### **Schedule of Audit Findings - Continued**

---

#### **2022-006    SEGREGATION OF DUTIES – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS**

##### **Condition**

Mercer County Water Resource District has limited staff members responsible for the primary accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

##### **Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the component unit's financial condition, whether due to error or fraud.

##### **Cause**

Management has chosen to allocate its economic resources to other functions of the Water District.

##### **Criteria**

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the districts.

##### **Prior Recommendation**

Yes.

##### **Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

##### **Mercer County Water Resource District's Response**

We agree. Mercer County Water Resource District will continue to operate as they do unless changes are required by State Statute.

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave., Dept. 117  
Bismarck, North Dakota, 58505

[ndsao@nd.gov](mailto:ndsao@nd.gov)

---

## GOVERNANCE COMMUNICATION

---

June 25, 2024

Board of County Commissioners  
Mercer County  
Stanton, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mercer County, North Dakota, for the years ended December 31, 2022 and 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 10, 2024. Professional standards also require that we communicate to you with the following information related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mercer County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022 and 2021. We noted no transactions entered into by Mercer County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**MERCER COUNTY**

## Governance Communication – Continued

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules list all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

<b>2022 Adjustments</b>	<b>Audit Adjustments</b>	
	<b>Debit</b>	<b>Credit</b>
<b>Special Revenue Fund</b>		
<u>To Record Accounts Payable</u>		
Expenditures	22,425	-
Accounts Payable	-	22,425
<b>Water Resource District</b>		
<u>To Adjust Cash and Reclassify Revenues and Expenses to Agree to the Bank Statements</u>		
Property Tax Revenue	27,330	-
Miscellaneous Revenue	278	-
Cash	-	156,636
Interest Income	-	5,065
Intergovernmental Income	-	29,013
Expenditures	-	3,779
<u>To Record Capital Asset Addition</u>		
Capital Assets	125,000	-
Expenditures	-	125,000
<u>To Record Intergovernmental Receivable</u>		
Intergovernmental Receivable	2,554	-
Intergovernmental Revenue	-	2,554
<b>2021 Adjustments</b>		
	<b>Debit</b>	<b>Credit</b>
<b>Special Revenue Fund</b>		
<u>To Record Inventory Prior Period Adjustment</u>		
Inventory	120,184	-
Fund Balance, January 1, 2021	-	120,184
<b>Governmental Activities</b>		
<u>To Record Capital Asset Prior Period Adjustment</u>		
Capital Assets, Net	36,260	-
Net Position, January 1, 2021	-	36,260
<u>To Record Lease Liability Prior Period Adjustment</u>		
Net Position, January 1, 2021	67,821	-
Long Term Liabilities	-	67,821

**MERCER COUNTY**

## Governance Communication – Continued

**2021 Adjustments****Audit Adjustments****Governmental Activities****To Reclass Net Pension Liabilities to Business-Type Activities**

	<b>Debit</b>	<b>Credit</b>
Net Pension Liability	363,665	-
Deferred Inflows for Pension	59,718	-
Deferred Outflows for Pension	-	211,074
Net Position, January 1, 2021	-	212,309

**Business-Type Activities****To Reclass Net Pension Liabilities from Governmental Activities**

Net Position, January 1, 2021	212,309	-
Deferred Outflows for Pension	211,074	-
Net Pension Liability	-	363,665
Deferred Inflows for Pension	-	59,718

**Water Resource District****To Adjust Cash and Reclassify Revenues and Expenses to Agree to the Bank Statements**

Property Tax Revenue	28,971	-
Miscellaneous Revenue	82,118	-
Cash	-	111,987
Interest Income	-	5,960
Intergovernmental Income	-	111,914
Expenditures	-	12,211

**To Record Intergovernmental Receivable**

Intergovernmental Receivable	2,487	-
Intergovernmental Revenue	-	2,487

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 25, 2024.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Mercer County’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the *budgetary comparison information, schedule of district’s share of net pension liability and district contributions, schedule of district’s share of net OPEB liability and district contributions, and notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Restriction on Use**

This information is intended solely for the use of Mercer County board members and management of Mercer County, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Mercer County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Mercer County.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
June 25, 2024



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505